



COMPTROLLER

UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

FEB 12 1998



Honorable G. Edward DeSeve  
Acting Deputy Director for Management  
Office of Management and Budget  
Washington, D.C. 20503

Dear Mr. DeSeve:

Enclosed is the 1997 Chief Financial Officer's Financial Management Five-Year Plan for the Department of Defense (DoD).

The Department's Five-Year Plan addresses progress the Department has made toward achieving the goals established under the Chief Financial Officers Act. It also provides a strategy to update and modernize the Department's financial management systems. Admittedly, this process is arduous and demanding. However, the Department has made significant strides. Standard systems have been generally designated, ambitious deployment schedules have been established and are being implemented, and duplicate systems are being eliminated.

Notwithstanding the above, the Department acknowledges that much remains to be done to continue improving and streamlining financial management, as well as enhance the timeliness and accuracy of financial information. Recognizing this fact, the Department has numerous projects underway to enhance its financial management posture. (For example, the Department has efforts underway to incorporate into the "DoD Financial Management Regulation": (1) the Statements of Federal Financial Accounting Standards, (2) the revised Hierarchy of Accounting Standards, (3) OMB's Bulletin on "Form and Content Guidance for the Preparation of Agency Financial Statements" and (4) the U.S. Government Standard General Ledger (USGSGL). Concurrently, the functionalities of financial systems are being modified to accommodate the requirements of existing and new federal-wide accounting standards and the USGSGL.) Not all of the detailed actions related to each of the Department's multiple projects are addressed in the enclosed plan, as the inclusion of such detail would have made the plan very voluminous and cumbersome. Nevertheless, Section 2 of the enclosed plan highlights the Department's principal impediments to producing auditable financial statements and provides a high-level summary of planned actions, and related milestones, to overcome those impediments.

Further, the Department is about to embark on several major efforts in FY 1998 that are expected to be incorporated into future DoD Five-Year Plans. Each of these requirements will require substantial resources to complete. These requirements are summarized below.

Section 1008 of the National Defense Authorization Act for Fiscal Year 1998 requires a strategic plan--outlining the plan for improving the DoD's financial management--to be submitted to the Congress by September 30 of each even-numbered year. The first such Biennial Plan is due to the Congress by September 30, 1998. Although the Biennial Plan is similar, in

concept, to the requirements of the Five-Year Plan, the first Biennial Plan includes requirements concerning cross-functional and other issues and dictates the inclusion of specific information not previously included in the DoD Five-Year Plan.

A Concept of Operations is required as a part of the Biennial Plan and also is due to the Congress by September 30, 1998. The Concept of Operations is expected to provide a description of the manner in which the Department's financial management operations are carried out, or will be carried out, under the improvements set forth in the Biennial Plan.

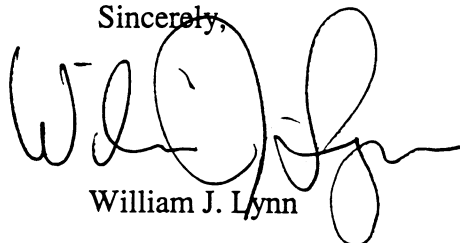
Consistent with the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996, the Department also must submit--by September 30, 1998--a Remediation Plan identifying resources, remedies and intermediate target dates necessary to bring the DoD's systems into substantial compliance with the FFMIA. These requirements are similar to those included in Section 2 of the enclosed Plan but also are expected to address resource requirements and to identify individual projects, applicable milestones and targeted completion dates in more detail than that contained in the enclosed Five-Year Plan.

Also, in accordance with OMB's FY 1999 Passback to the Department of Defense, the Department will work with the OMB to develop a joint financial management improvement plan. At the request of the OMB, this plan will include long and short-term goals and measures to track progress in areas of concern and to address: (1) finance and accounting systems improvements, (2) consolidation and streamlining of operating locations, (3) reengineering of business processes, and (4) updates of major systems acquisitions. This plan, similar to the other plans discussed above, is due by September 30, 1998.

The Department agrees that the information expected to be included in the Plans discussed above should provide greater detail regarding the Department's financial management improvement plan. Notwithstanding the additional information that will be provided to readers of the plans, the accomplishment of these various, and to some extent duplicate, plans is expected to place a very substantial demand on personnel resources to satisfy those requirements in FY 1998. Accordingly, it will be necessary to divert resources, that otherwise could be devoted to enhancing the Department's policies, processes and systems, to the completion of the plans addressed above. Thus, some of the improvement actions that otherwise could be anticipated in FY 1998 may be delayed.

Members of my staff are available to discuss the Five-Year Plan with you and members of your office. The staff point of contact is Ms. Juliette McNeil. She may be reached by e-mail: [mcneilj@ousdc.osd.mil](mailto:mcneilj@ousdc.osd.mil) or by telephone (703) 693-5657.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Lynn', with a large, stylized loop at the end.

William J. Lynn

Enclosure